



Kansas Department of Credit Unions

KDCU Newsletter

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THIS ISSUE AT A GLANCE

- IRS Form 990
- 2012 Kansas Legislation
- New Financial Examiner
- DeAnn Shinkle appointed to Credit Union Council
- June, 2012 Call Report Information
- Credit Union Advisory Council Meeting Summary

Kansas Department of Credit Unions

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Credit Union Governance and Oversight of IRS Form 990

The IRS Form 990, along with forms associated with it, is the primary reporting tool the IRS uses to obtain information from tax-exempt organizations in order to confirm compliance with rules and regulations and detect abuse. The forms' questions are designed to probe into areas of potential concern which go well beyond the presentation of financial information. The consequences of a wrong answer can run the gamut between a standard inquiry and an invasive IRS audit. Beyond the costs of an audit, the organization can be exposed to significant penalties and potentially lose its tax-exempt status.

Those responsible for completion of the Form 990 face the task of fully understanding the breadth of questions and disclosures requested, while having to obtain the information required. For their trouble, they get to sign the form and attest under the penalty of perjury that everything reported is true, correct and complete to the best of their knowledge and ability.

Although board members must actively participate in the governance of their credit union, few take direct responsibility for what is reported on the Form 990. Given the intended uses of the form, it is in their interest to ensure the information reported is correct.

What can board members do? Good governance begins with interest, understanding and the commitment of time and resources required to ensure the credit union is obeying tax laws, safeguarding its assets and serving the interests of its members.

Preparation for completion of the Form 990 should begin by determining who will complete and file the Form 990. Consideration should be given to have the Form 990 completed by the firm or individual who completes the annual audit. Audit requirements for Kansas chartered credit unions are specified by asset size in K.A.R. 121-10-1 and 2. The accountant who does the audit might be the 'best' choice to file the Form 990.

Part VII of the Form 990 form requires reporting the number of hours each month board members and key management officials spend on credit union governance. Some boards document their hours through submission of time sheets while others submit estimates. The time reported should be accurate and reasonable.

The highest compensated employees and their salaries are reported in Part VII. Usually in smaller asset size credit union the manager and their salary is listed. In larger asset size credit unions the five current highest compensated employees who received reportable compensation greater than \$100,000 and the estimated amount of other compensation is reported.

If the credit union's employees average salary is less than \$50,000, the credit union may be eligible for a health-care tax refund and should file for it.

The many questions the preparer must answer in completing the Form 990 are beyond the scope of this article. However the preparer should carefully review the instructions for the questions and respond to the questions appropriately. Likewise the Board if uncertain about the meaning of a question, should review the instructions.

The Form 990 specifically asks if the organization provides a copy of the form to all members of the governing body before filing. In addition, the organization is asked to describe the process used to review the form. To help the board and management meet their review requirements, a board review checklist can provide guidance leading to a meaningful and efficient review and can be a key component of the process followed to ensure an appropriate review.

The credit union should be aware the form 990 must be made available to the public. Web sites such as the *Foundation Center* <http://foundationcenter.org/findfunders/990finder/> and *Guidestar* <http://www.guidestar.org/> list non-profit organizations IRS Form 990 on their web site. Generally publication by these or similar organizations is accepted as the Form 990 public availability.

2012 Kansas Credit Union Legislation

Texts of bills, conference committee reports and fiscal notes can be found at <http://www.kslegislature.org/li/> SB 263, SB 265 and H Sub for SB 287 were adopted by the House and Senate and approved by the Governor.

SB 263 eliminates the requirement for the credit committee, clarifies the suspension procedures (members of the credit and supervisory committees for failure to perform their duties) and provides that any member denied a loan has the right to appeal the decision to the board of directors if the credit union's bylaws allow for such an appeal.

SB 265 provides for the appeal of

the decision by the Administrator to disapprove a bylaw amendment and allows a proposed bylaw amendment to be considered approved if the Administrator has not acted within 60 days.

H Sub for SB 287 began as a credit union bill requested by the Administrator. The legislature combined two credit union and four banking bills into the final bill. The credit union part removes the private insurance provisions from Kansas credit union statutes and allows the Administrator to establish a salary schedule based on similar geographic areas and appoint personnel into the unclassified service. The salary schedule must be approved by the Governor and reported to the Credit Union Council

annually.

New Financial Examiner

Matt Fowler began employment on April 17. Matt earned a BS degree in economics from the University of Kansas in 1999. Matt was with the Kansas Commission on Veterans Affairs for over six years prior to transferring to the Department. Matt is a Navy veteran. Please welcome Matt who will be examining in the Topeka and Kansas City area.

Council Member Appointed

Governor Brownback has appointed Deann Shinkle as a public member of the Credit Union Council.

June 30, 2012, Call Report Cycle

The deadline for credit unions to have their June 30, 2012 call reports completed and certified on Credit Union Online is Friday, July 20, 2012. If you have not submitted your 2012 Roster of Credit Union Officials and Oath of Directors and Committee Members, please do so after your credit union's annual meeting. Included with the June call report information will be the annual 6/30/2012 Branch Locations Report. Please complete the form and return to the Kansas Department of Credit Unions, 109 SW 9th, Suite 610, Topeka, KS 66612.

Bulletins Issued

Two Bulletins were issued since the last Newsletter. Bulletins are on KDCU's web site at www.kansas.gov/kdcu/.

CREDIT UNION COUNCIL MEETS

The Credit Union Advisory Council met on June 8, 2012 in the KDCU conference room. Council members attending were Sue Henke, Dan Springer, Deann Shinkle, John Beverlin, Gilbert Benton and Jim Holt. KDCU staff present were Jenny Rezac, John P. Smith and Michael Baugh.

The Council reelected Jim Holt, Chair, John Beverlin, Vice-Chair and Bob Corwin, Secretary.

The Council received and discussed several reports:

- ♦ Credit union fee schedule
- ♦ KDCU financial reports.

- ♦ Kansas credit union condition report.
- ♦ Changes in credit union bylaws, articles of incorporation, credit union mergers, administrative actions, number of credit unions on monthly reporting, frequency of examinations, and new branches approved.
- ♦ The Administrator reported that the legislature combined two credit union and four banking bills into H Sub for SB287 which was adopted by the House and Senate and approved by the Governor. The statutes repealed and amended became effective May 31, 2012.

Larry Eisenhower, President/CEO Kansas Corporate Credit Union submitted a writ-

ten report describing the activity of corporate credit unions since the last Council meeting.

The next meeting of the Credit Union Advisory Council is scheduled for 10 a.m., Thursday, September 6, 2012. The Council will meet by telephone conference call. Council meetings are public meetings open to credit unions and the public. Meeting notice and agenda are on the KDCU web site at www.kansas.gov/kdcu/. Credit unions are encouraged to attend.

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